

WCC
1975

time to withdraw

INVESTMENTS IN SOUTHERN AFRICA



**Programme to Combat Racism
World Council of Churches**

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CENTRAL COMMITTEE RESOLUTIONS ON INVESTMENTS IN SOUTHERN AFRICA

The following resolutions were adopted, by an overwhelming majority, by the 20-member Central Committee of the World Council of Churches during its meeting in Utrecht, the Netherlands, August 13-23, 1972:

The World Council of Churches, in accordance with its own commitment to combat racism, considering that the effect of foreign investments in Southern Africa is to strengthen the white minority regimes in their oppression of the majority of the peoples of this region, and implementing the policy as commended by the Uppsala Assembly (1968) that investments in 'institutions that perpetuate racism' should be terminated:

- i) **instructs** its Finance Committee and its Director of Finance:
 - to sell forthwith existing holdings and to make no investments after this date in corporations which, according to information available to the Finance Committee and the Director of Finance, are directly involved in investment in or trade with any of the following countries: South Africa, Namibia, Zimbabwe, Angola, Mozambique and Guiné-Bissao; and
 - to deposit none of its funds in banks which maintain direct banking operations in those countries.
- ii) **urges** all member churches, Christian agencies and individual Christians outside Southern Africa to use all their influence including stockholder action and disinvestment, to press corporations to withdraw investments from and cease trading with these countries.

In the context of the multiple strategies recommended at Addis Ababa the Central Committee is aware of and appreciates proposals to achieve racial justice in Southern Africa through reform (e.g. the preliminary statement by the Council of the Evangelical Church in Germany). The Central Committee is nevertheless convinced that the policy of withdrawal already commended by the Uppsala Assembly needs to be implemented now. (Extract from *Minutes and Reports of the Twenty-Fifth Meeting of the Central Committee*, Geneva, WCC, 1972, pp. 28-30.)

SOME RELATED WCC POLICY STATEMENTS

The situation of racial oppression in Southern Africa has been a major concern for the WCC since its inception. Throughout the years various policy statements have emanated from the Assembly, the Central Committee and other constituent parts of the Council. The following are some of these statements directly related to the subject of foreign investments in Southern Africa.

Of historic importance was the statement of the Fourth Assembly of the WCC at Uppsala, Sweden, in 1968:

Racism is linked with economic and political exploitation. The churches must be actively concerned for the economic and political well-being of exploited groups so that their statements and actions may be relevant. In order that victims of racism may regain a sense of their own worth and be enabled to determine their own future, the churches must make economic and educational resources available to underprivileged groups for their development to full participation in the social and economic life of their communities. *They should also withdraw investments from institutions that perpetuate racism.* (*The Uppsala 68 Report*, Geneva, WCC, 1968, p. 66; emphasis added.)

The Central Committee in Addis Ababa, 1971, decided to urge 'the WCC staff and committees and member churches to begin an immediate study and analysis of their involvement in the support and perpetuation of racism in the following areas:

- a) investment policies and practices;
- b) employment training and promotion schedules;
- c) the ownership, management and control of property;
- d) the ownership, management and control of church and church-related institutions.

The Committee also urged 'the member churches themselves or through their respective National Councils to:

- a) investigate and analyse the military, political, industrial and financial systems of their countries...
- b) develop individually or in cooperation with other churches, strategies and action programmes to redirect these systems...

- c) develop in cooperation with the PCR and between themselves joint strategy and planning...' (*Minutes and Reports of the Twenty-Fourth Meeting*, Geneva, WCC, 1971, p. 57.)

The Central Committee in Addis Ababa on the more specific question of investment in schemes like Cabora Bassa said:

The Central Committee calls upon member churches to discourage their governments and industrial and commercial enterprises from supporting schemes like the Cabora Bassa Dam and other such projects which entrench racist and colonial minority regimes in Africa. (*Ibid.*, p. 70f.)

Earlier, the Central Committee at Heraklion, Crete, in 1967 called attention to the following statement made by the 1966 World Conference on Church and Society in Geneva (*Minutes and Reports of the Twentieth Meeting*, Geneva, WCC, 1967, p. 52):

We urge Christians and churches everywhere to use the powers inherent in its administrative structure, such as those that come from the investment of its resources or from the influence of its means of communication, to correct racial malpractice in society as well as within the Church itself. (*Official Report of the World Conference on Church and Society*, Geneva, WCC, 1967, p. 176.)

In February 1969 the Finance Committee of the WCC approved the following directive to its investment managers:

The desire of the WCC is that the portfolio shall be built of investments in concerns engaged in socially constructive activities and it is therefore required that *no resources be invested in concerns which are primarily or wholly engaged in* (emphasis added):

- a) production or handling of armaments; or
- b) activities in or trade with South Africa or Rhodesia.

The Commission of the PCR in 1971 requested that:

... a thorough investigation be made of the portfolio of investments owned by the WCC in order to discover:

- i) any direct or indirect investment in companies operating in Southern Africa;
- ii) any investment in subsidiary companies operating in Southern Africa;
- iii) any investment in banks operating in Southern Africa;
- iv) any investment in any other financial interests in Southern Africa.

... that the WCC encourage member churches to investigate and analyse their investments and financial involvement in Southern Africa; and
... any profits accruing hereafter from such investments should be applied to the support of the oppressed.

A joint DICARWS/DWME Southern Africa document, adopted in November 1970 by the respective Commissions of the two sub-units, states, *inter alia*, that 'Special attention should be given to... the ways in which investment policies of Mission and Service Agencies affect Southern Africa, and other areas of the world, including racial and deprived minorities within their own countries.'

In the context of this past ecumenical history the Commission of the PCR in its policy statement of April 1972, under the caption 'the role of International Finance', stated:

A special feature of the Southern Africa conflict is the extent of external support given to the racist system by international corporations and banks (through investment, loan, etc.).

Recommended that PCR should publicize the extent and nature of this involvement and select targets for appropriate action by the WCC, its member churches and related bodies.

A major current controversy regarding investment links with Southern Africa is whether investment should be withdrawn or not. We reject the 'Polaroid experiment' approach, considering it as merely legitimizing investment in oppression and urge that all investment should be withdrawn, though we recognize the value of shareholder action and confrontation as a stage prior to withdrawal.

I. INTRODUCTION TO THE QUESTION

The Holy Spirit, the Spirit of Truth, whom Christ has sent to the world, is today convincing us of sin, justice and judgment (John 15:7-11). Not only of individual sin, personal righteousness and judgment on the last day. The Holy Spirit convinces us of sin regnant in the structure of our society, impels us to seek a just society and not to be afraid of judging the powerful forces of evil in the world which God has already condemned in Christ.

None of our societies are free from sin, nor can any of our nations claim that we have achieved justice. But today we find a blatant form of sin and injustice in Southern Africa, where a white minority, many of them our brethren in Christ, is oppressing a black majority. The Holy Spirit convinces us of sin here, and impels us to seek justice.

Christians must not abdicate ethical responsibility for the outcome of economic policies. The impact of foreign economic involvement on racial discrimination and apartheid involves moral decisions which should not be avoided – or left to technicians alone.

Discussions of foreign economic involvement in South Africa sometimes become confused between policy and tactics. Loans by foreign governments and corporations to the South African government, doing business with or changing business practices in South Africa or withdrawing capital from South Africa involve *policy*. On the other hand, individuals or organizations who invest in corporations which do business in South Africa may use *tactics* to influence corporation policies. This paper deals primarily with policy, examining the policy alternatives open to companies, urging that the WCC takes a stand in favouring the withdrawal of investments from South Africa.

Foreign economic involvement in Southern Africa, primarily by the USA and countries of Western Europe, takes three forms: *trade*, *loans* and *investments*. Some idea of the extent of this foreign involvement could be seen in a publication of the United Nations Unit on Apartheid, which states that total outstanding foreign currency obligations (loans) of the government and public corporations were as follows:

| | | |
|----------------|-----------------------------------|------------------------|
| LOANS : | Pounds Sterling | 14,788,276 |
| | Florins | 58,337,000 |
| | Deutsche Mark | 1,195,000,000 |
| | Swiss francs | 2,267,921,461 |
| | United States dollars | 91,455,000 |
| | Units of accounts | 62,550,000 |
| | European Currency Units | 25,000,000 |
| | Maltese Pounds | 5,000,000 ¹ |

INVESTMENTS : The figures for foreign investment in South Africa reach the staggering total of £ 2,984 million in 1970.

In 1965-67 foreign investment in South Africa averaged £ 93 million a year: in 1968-70 it averaged £ 235 million and in 1970 itself it reached a record of £ 328 million. The total for 1971 will have been even higher: in the first six months of 1971 foreign investment was £ 226 million, over 50 per cent higher than the figure for the first six months of 1970.

Britain is by far the largest single investor in South Africa: in 1970 sterling investment (nearly all British) there amounted to £ 1,728 million, 58 per cent of total investment. Investment from Western Europe was £ 721 million, 24 per cent of total investment. Dollar investment (nearly all from the USA) was £ 438 million, 15 per cent of total investment.

In 1971, 512 British companies and over 300 American corporations had subsidiary or associate companies in South Africa.²

The main inducement to British and US companies to invest in South Africa is the exceptionally high rate of profit, made possible by the system of cheap forced labour. Between 1965 and 1968 the annual average rate of return on British investments in South Africa was 12 per cent. The annual rate of return on US capital invested in South Africa in the period 1960-70 was 18.6 per cent compared with an average for total US overseas direct investments of 11 per cent.³

The beneficiaries of the exploitation of the black South Africans are not only South African whites. That becomes clear in the following table:

**SOUTH AFRICA :
DIRECTION OF TRADE, MAIN TRADING PARTNERS⁴
(in millions of dollars)**

| | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 |
|-----------------------------|-------|-------|-------|-------|-------|-------|
| United Kingdom | | | | | | |
| export to | 449.6 | 478.4 | 498.5 | 552.4 | 574.4 | 666.5 |
| import from | 506.0 | 605.8 | 692.2 | 628.9 | 696.0 | 629.3 |
| United States | | | | | | |
| export to | 124.3 | 124.3 | 138.6 | 188.0 | 150.7 | 146.2 |
| import from | 286.3 | 408.9 | 463.7 | 408.1 | 451.7 | 465.9 |
| Federal Republic of Germany | | | | | | |
| export to | 69.5 | 81.4 | 77.0 | 90.3 | 113.2 | 141.8 |
| import from | 181.6 | 231.5 | 267.8 | 246.5 | 324.3 | 355.2 |
| Japan | | | | | | |
| export to | 99.3 | 118.1 | 100.4 | 118.3 | 244.9 | 286.2 |
| import from | 79.0 | 114.1 | 140.9 | 126.4 | 162.4 | 173.5 |
| Italy | | | | | | |
| export to | 69.4 | 56.0 | 52.7 | 61.1 | 69.1 | 60.1 |
| import from | 47.7 | 65.2 | 98.3 | 71.9 | 99.1 | 109.3 |

These foreign investments are regarded by the South African government as important to the life of the regime and to the continuation of its racist policies. Professor W.F.J. Steenkamp of the University of South Africa has said:

We have learnt that our large international economic relationships are our best shield in a world which has chosen us as scapegoats.⁵

II. POLICY ALTERNATIVES

There are three possible positions on foreign capital involvement in South Africa available to those wishing to change the racist nature of the South African regime.

The Argument for Increased Involvement

To promote increased investment and accelerated infusions of technological expertise, in the belief that the economic growth thus stimulated will inevitably alter the economic conditions and social structure, and ultimately lead to the involvement of blacks (African, Coloured, and Indian South Africans) in the political process.

The Argument for Reform

To press business interests to raise black wages, offer training and better promotion opportunities for black workers and plough back a portion of their profits into educational and other benefits for the black community.

*The Argument for Withdrawal**

To stop providing direct economic and material support to the white minority regime and advocate the withdrawal of investment and the severing of economic links as the consistent moral alternative which at the same time offers solid support to Southern Africans committed to winning their freedom.

It is useful to analyse these alternatives in turn, examining the potential effects of each upon the South African situation. To do so in such a brief treatment entails simplifying matters of enormous complexity and deleting logical steps in a thorough process of investigation, but may, nevertheless, give some indications of the most appropriate response to the operations of multinational corporations and international capital in South Africa today.

1. THE ARGUMENT FOR INCREASED INVOLVEMENT

The thesis that economic growth entails the breakdown of traditional economic and social structures has many articulate proponents. The *Financial Mail*, South Africa's influential business weekly, which speaks for a large segment of the country's industrialists, argues that every new investment is 'another ray of hope for those trapped on the dark side of apartheid', and postulates that 'Economic development will bring change that will loosen chains, just as it did in the Middle Ages in Europe'.⁶

* The term 'withdrawal' is used in this paper to denote the termination of investment links by *corporations* involved with Southern Africa. The term 'disinvestment' is used to mean the disposal of stocks and shares held by *stockholders and shareholders* in these corporations.

These arguments are based on the undeniable fact that as the economy expands, pressures for a more efficient use of black labour will grow. The leap from this accepted premise to the proffered corollary that more rational utilization of the country's labour potential will lead to black political and social advancement is a large and unproven one.

It is important at the outset to distinguish between the structure of South African society where political power is in the hands of a minority to which the country's wealth also accrues, and the official government policy of separating black and white. The germ of truth in the 'growth' theory is that economic development does tend to strain government credibility as more and more black workers stream to the urban areas where industry needs their labour. The countervailing tendency, however, is that an influx of blacks to the cities reinforces the electorate's fears and brings on greater repression, such as characterized the last decade. There is a great difference between alteration of the techniques of domination and abandonment of white supremacy.

One response to this movement of African labour into 'white' industry and 'white' cities is the border industry policy, which seeks to divert industrial development to the borders of the African Reserves. The Reserves function as reservoirs of cheap labour within easy access of industry rather than becoming the economically developed regions pictured in apartheid ideology. Through such measures as the *Physical Planning and Utilization of Resources Act* of 1967 the government encouraged the establishment of new industries and the relocation of urban industries in these border areas. Among the incentives offered by the government to companies to move into these areas has been the authorization of African wage rates lower than those in the cities.

As for developing the Bantustans through investments, the bluff was called by the *Rand Daily Mail* which stated:

We have at the moment 3.7 million Whites and 13.7 million Africans. The Bureau of Census and Statistics estimates that by the end of the century there will be 7 million Whites and 27.9 million Africans (*Die Beeld* recently published new estimates, which it said were authoritative, of 6 million Whites and 35 million Africans).

At the moment 4.1 million Africans live in the projected Bantustans. If these areas are developed to a quite unimaginable degree with the creation of 85,000 new jobs a year (the present average is 100), they will be able to accommodate at most 10 million Africans by the end of the century.

That means at least 17.9 million Africans will still be living in 'White' South Africa — or 25 million if one works on *Die Beeld's* figure. Plus 5.8 million Coloureds and 1.1 million Asians.

In other words, even if separate development is implemented with unimaginable success, 'White' South Africa will still be more than three-quarters Non-White. Nothing will have been solved.⁷

This is in addition to the more obvious contradiction that apartheid is a system designed specifically to provide cheap labour by the use of force.

Sometimes these foreign companies investing in South Africa claim to oppose apartheid by circumventing the restrictions on the use of black labour; they may even consider violating regulations when the need arises. But many of these violations are approved by the government because of the shortage of white workers for 'white' jobs.

In the meantime, they usually support the overall policy of the South African government. For example, the Ford Motor Company, while seeking exemptions to their quota of African workers, also recruits skilled white workers from Britain and elsewhere to minimize the need for them.

Increasing dependence on black labour does not lead to political power or better living conditions for blacks. African, Asian and Coloured participation in the industrial work force has risen from 64 % in 1946 to 77 % in 1970.⁸ Yet this period also saw the growth of a sophisticated network of discriminatory legislation to counter African nationalist aspirations. To cite some examples: Since the passage of the *Group Areas Act* in 1956, the government has removed more than half of the entire Indian population from their homes and placed them in specially designed townships; in 1970, parliamentary representation for Coloured people was finally ended; the *Terrorism Act* of 1967 gives policemen above the rank of sergeant the right to detain indefinitely, without trial or appeal, any persons deemed — in the *opinion* of the arresting officer — to be a threat to the established order; the *Bantu Law Amendment Act* 1970 gave the Minister power to prohibit any blacks doing any work, such as he may decide, in white areas.

(a) *Economically*: The food price index has risen faster over the years than the general price index so that increased sales taxes, rail fares, etc., have borne hardest on the lower income groups.

(b) *Health*: The incidence of TB is rising steadily every year: 2,500 new cases in 1969. The infant mortality rates increased from 1960 according to Dr Hoffenberg of the University of Cape Town. This is partly explained by the increase in the incidence of malnutrition over the years.

(c) *Education*: The cutback on money spent on black education has contributed to the deteriorating standard of education for blacks in South Africa. In fact, today only 0.1 % of the black population have a matric or school leaving certificate. The percentage of net national income spent on black education had been declining steadily from 0.57 % in 1953 (already very low) to 0.39 % in 1964.

The hierarchical pattern of authority has therefore been preserved. If the 'growth' argument were accurate, one would expect the boom years of the 60s to have produced concurrent prosperity for the entire population, but such is not the case. African miners' salaries were actually worth less in 1970 than they were in 1911; and between 1966 and 1971, the gap separating white and African pay in the mines widened from a ratio of 17.5:1 to 20.3:1. South Africa's miners have always been notoriously exploited. In real terms (allowing for inflation) this leaves them about as badly off as they were before the first world war, a fate not shared, so far as is known, by any other group of workers anywhere in the world.⁹

But there is evidence that their fate of economic stagnation is shared by other South African workers. The white-to-African manufacturing wage ratio grew from 5.1:1 in 1966 to 5.7:1 in 1971.¹⁰ Including the rural sector (comprising over 50 % of the African population), average African incomes have declined in recent years. John Sackur, writing in *The Times* (London, April 26, 1971), shows that a 61% rise in average African incomes between 1956 and 1970 was more than offset by a 20 % growth in inflation and a greater-than-40 % increase in population. Thus, per capita incomes actually dropped during that period of extensive economic growth.

What evidence is there that the apartheid system has been changed as foreign investment (specifically American investment) has increased ? In 1950, American investments in South Africa amounted to \$ 148 million. Today, they amount to more than \$ 800 million...; during these same years non-whites lost their last representation in Parliament; black opposition parties, press and leadership were banned; and laws were enacted permitting arrest and punishment without charges, trial or appeal. A multitude of other laws passed in this period broke up families and forcibly removed thousands of Africans from areas designated 'white' to tribal areas. In short, far from being challenged with the increase of foreign investment, the apartheid laws have been hardened.¹¹

South Africa's economic boom has, therefore, enriched the coffers of the dominant whites, brought Africans no real gains and in fact, in recent years, made the relative wages and conditions worse. The argument that the prosperity generated by investment accrues to blacks is not supported by any evidence and there is no reason to expect that future capital inflow would alter the pattern.

History is full of examples of economies that have rapidly grown without achieving distributive justice. Two clear examples which relate to this present position are the growth in the industrial development of Salazar's Portugal and the brief economic boom of the ill-fated Central African Federation.

In the case of South Africa there is an additional factor. The creation of new jobs will in all likelihood increase white immigration. In the ten years 1961-1970, a

total of 374,667 immigrants arrived in South Africa. The main countries of origin of the immigrants were as follows:

| | | |
|----------------|---------|---|
| United Kingdom | 172,819 | |
| Portugal | 32,231 | |
| Germany | 28,611 | |
| Italy | 13,423 | |
| Greece | 13,305 | |
| Netherlands | 12,856 | (Source: U.N., Unit on Apartheid, May, 1972) |

2. THE ARGUMENT FOR REFORM

While it is possible to show historically that industrialization and progress for South Africa's blacks are not corollaries, one has also to consider the alleged *intentional* involvement by businesses in the process of promoting social change. What chance for success is offered by this line of action ?

The Polaroid 'experiment' offers a ready-made opportunity to examine the 'reform' option in action, and it is this which had made the company's relatively small involvement in South Africa symbolically important.

In January 1971 the US Polaroid Corporation, under attack from black employees in the USA for its involvement in South Africa, announced that it would undertake a one-year 'experiment' to try to improve wages and working conditions of the black workers employed by its distributor in South Africa.

Like the banks, Polaroid does not employ large numbers of black workers. It operates in South Africa through a distributor, Frank and Hirsch, and its sunglasses assembly company, South African Sunglasses.

Polaroid's 'experiment' had three main planks. Polaroid said it would 'improve dramatically' wages and conditions of black workers; it would divert part of its South African profits to support African education; and it would stop selling ID equipment to the South African government.

As part of the 'experiment', Polaroid's South African distributor, Frank and Hirsch, increased its minimum wage for black employees to £ 30.77 a month: this was still below the subsistence minimum of £ 32.30 a month which the Johannesburg municipality calculated in 1969 was necessary for a family of six in Soweto. Top salaries for African employees at Frank and Hirsch were increased to £ 102.56 a month, which is about the salary paid to junior white typists.

Polaroid has made grants to help black students continue their education, but only within the South African apartheid education system. The company also

stated that it has discontinued sales of its equipment to the South African government. But a Polaroid advertising circular dated October 1971 states that the biggest user of Polaroid's ID3 Identification System is still the South African Defence Force.

Polaroid decided after a year's 'experiment' that its policies had yielded results, and that it would continue its South African operations. An examination of the facts makes clear a primary difficulty of the 'reform' argument: there is no method of policing improvements. Critics have difficulty gaining access to the facts with which to evaluate a company's policies. In the case of Polaroid, it took a respectable South African publication, the *Financial Mail*, which supports both continued investment and reformed labour policies, to expose the myth of progress at Polaroid. A *Financial Mail* investigation at the end of the 1971 experimental year revealed that there were, at Polaroid's local distributor, workers who were still being paid the legal minimum. This is \$ 90 less per month than a minimum subsistence budget for an average African family, as calculated by Soweto's Urban Bantu Council.¹²

Throughout the South African economy, performance of previously white-held jobs by blacks is not a new development but merely a continuation of the pattern which has evolved throughout the country's history. In any case, all attempts to promote blacks are limited by the government, which has repeatedly made it clear that supervision of whites by blacks will not be tolerated.

The South African government cannot permit companies to take actions which are considered a threat to the *status quo*. A memorandum circulated by the US consulate in Johannesburg cautioned American corporations: 'The impression that the United States firms were engaged in a coordinated effort "to change the South African way of life" would almost certainly engender harmful reactions.'¹³

But the tensions caused by the racial policies are not a basis for demanding that companies should remain in South Africa and institute labour reforms. As profit-making institutions, they can only carry out such programmes in such ways as they feel will ensure their future security.

Moreover, as has been pointed out by Mr Tim Smith of the UCC's Council for Christian Action, a close scrutiny of the statements of the most liberal industrialists shows that they 'do not ask for an abolition of apartheid nor even the abrogation of the industrial colour bar, but merely for the relaxation of some restrictions which would enable them to fit non-whites into jobs where whites are no longer available. The underclass would be allowed to move a small number of "representatives" up the pyramid, but the essential pyramidal power relationship, which makes the rules, would not have shifted one inch. If our goal is to alter that power relationship so that political power is shared, the goal of all the Coloured, African and Asian political parties before they were banned, then the integration of a number of skilled Africans into the lower echelons of the white economy is hardly a cause for

celebration. The political power remains firmly rooted in the hands of a government responsive only to a white constituency. The result is simply a nation of slightly better fed and clothed political and economic serfs... In fact the theme of white control is the parent of apartheid, allowing parts of the latter to be reshaped without touching the former.¹⁴ He adds: 'By pressing for certain limited economic reforms but not for deep-rooted change, liberal industrialists will be able to achieve a number of economic objectives:

- greater productivity than is possible with white workers;
- overcome the problem of not having a regular supply of cheap labour;
- produce at lower unit costs because of paying lower wages to non-whites for doing the same jobs, thus increasing their profits;
- be able to compete in the export market, especially in the rest of Africa, and so hope to increase their political stranglehold on areas in that continent;
- at the same time maintain the artificially high standards of living of the white community;
- put on a face to the rest of the world that their intentions are honourable.'

In considering the reform argument it must be noted that the denial of trade union rights to African workers has been a key to apartheid both in principle and in practice.

It is of interest to note that the Johannesburg-based South African Institute of Race Relations, in a report published in November 1971 after a full analysis of the Polaroid experiment, states that 'if it was intended to significantly improve the wages and working conditions of black South Africans in general it must be regarded as a failure. If the intention was to create greater social concern among businessmen, it appears to have been moderately successful.' The former was the objective of the Polaroid Corporation's 'experiment'.

3. THE ARGUMENT FOR WITHDRAWAL

The role of foreign investments in South Africa must be seen in the context of the supply and control of cheap African labour, which is embedded in the patterns of apartheid policy, notably in the system of African Reserves, which restricts African land ownership and occupation to 13 per cent of the country's land area. This has meant that African subsistence farming has been confined to a land area too small to provide for the needs of the rural population. *Land shortage* and *land poverty*, together with *the imposition of a money economy* and of *compulsory taxes*, have ensured the flow of Africans into the labour market controlled by whites.

More than four million Africans live in the urban areas, but the basis of urban legislation was defined in 1921 by a Government Commission, which said:

The native should only be allowed to enter the urban areas... when he is willing to enter and to minister to the needs of the white man and should depart therefrom when he ceases to minister.¹⁵

The contribution of investments to the solution of the land distribution problem is nil, and to black poverty it is infinitesimal. What it does in actuality is strengthen the white economy. More money goes into white wages, from these recipients and the industry itself to the government in taxes, and from taxes into the military-control machine. The existence of investments results therefore inevitably in the process of *strengthening the military machine in order to protect the interests of both the white minority and the foreign investors*. France has supplied jet fighters for ground attack operations, crucial helicopters, submarines and submarine warfare training, has developed the surface-to-air 'cactus missile' in close collaboration with the South Africans; and allows armoured cars to be supplied and manufactured under licence in South Africa. The Italian arms firm Oto Malara is planning to supply the South African Navy with surface-to-surface missiles. Macchi 326 jet trainers, known in South Africa as Impala trainers, are built locally with British Bristol Viper jet engines imported from Italy, where they are manufactured under licence by the Piaggio aircraft concern. Belgian automatic rifles are manufactured under licence. Britain is supplying the Wasp helicopters. The US which has consistently sold several million dollars a year worth of equipment to South Africa, has recently licensed the sale of 'light jet aircraft' which are technically classified as 'non-military' but which form a basic component of an anti-guerilla force.¹⁶

Even in less spectacular areas the political implications of investing and doing business in South Africa are very clear. Investment in the auto, oil and rubber sectors of the economy assist in building South Africa's military potential. Trucks made by the US firms sold to the South African army are but one example of the way in which a 'neutral economic investment' helps South Africa. Oil explorations assist South Africa in her frantic search for petroleum, a key strategic product.

Such assistance strengthens the white minority's military power, ultimately assisting them not only in suppressing rebellion at home but also in fighting African Liberation Movements in Mozambique, Angola and Rhodesia.

Since control of land and economic power are in the hands of the whites, foreign investors in South Africa automatically develop a vested interest in maintaining the *status quo*.

In Western capitals the most consistent pressures on the organs of government for more sympathetic policies towards the South African regime comes from the business leaders and their organizations. With the conflict in Southern Africa

getting sharper and the Africans posing a real challenge to power, the outside groups with interests in the region react to it as a threat to their investments and move even *closer* to supporting the *status quo* power. They will also demand that Western governments give support to these white regimes, and thus we face the real danger of external intervention on the side of the white rulers and against the forces of African freedom. This is why withdrawal is the only correct policy – any form of engagement is likely to lead to providing continuous support for the apartheid system, and when that system faces a crisis to come its aid, not necessarily because those outside agree with apartheid but because they look upon it as a way of safeguarding their investments and other interests. If this does happen the holocaust in Southern Africa will create a global war.

The economic benefits accruing to whites are only one aspect of the impact which foreign capital makes in South Africa. The country is heavily dependent on outside sources for both capital and advanced technology. Foreign capital, both loans and investments, has been essential for South Africa's perennial balance of payments problem.

Commenting on the record-high deficit in 1971, a government-supporting weekly, the South African *Financial Gazette*, pointed out that the 'trade gap has very fortunately been covered by a substantial inflow of capital so that gold and foreign exchange reserves have emerged from the situation relatively unscathed.'¹⁷ Between 1946 and 1970, net inflow of foreign capital was large enough not only to offset completely the net trade imbalance, but also to increase reserves by \$ 330 million. It has been pointed out that the greatest danger to the country would be the loss of 'one of our most valuable pipelines to advanced technology, innovation and know-how'.¹⁸ The managing director of a US computer firm subsidiary claims that without the computer technology of the West, based in the United States, the fabric of South Africa's economy would dissolve into chaos.¹⁹ Pressure for withdrawal will not bring the sudden flight of all foreign capital from South Africa, but it is becoming a factor with which corporations must reckon. Some companies are more open to persuasion or more vulnerable to protest than others, and pressure will have varying effects:

1. A few companies may decide that the return on their South African investment does not offset the negative image they are receiving at home, and they may sell their South African operations.
2. Corporations contemplating new or additional investments will have to take this pressure into account, and some can be expected to abandon their plans rather than face criticism.
3. Many firms will have to take visible reform action in an attempt to justify their continued presence.

The first two are clearly most desirable since they deny foreign capital to South Africa. Yet even the third can have a positive effect if it *comes as a result of pressure for withdrawal*, since it offers proof to oppressed South Africans of outside support for their struggle.

The argument that withdrawal of foreign capital is a morally and politically sound position can be summarized in the following points:

1. Industrial growth and promotion of blacks to more skilled positions is a well-established tightly controlled pattern, which in itself does not alter the hierarchy of power.
2. Despite phenomenal economic growth in recent years, the economic and political situation of black South Africans has deteriorated; with slower growth forecast for the future, there is little reason to believe that their situation will be significantly altered by improved labour policies in some corporations.
3. The contribution of foreign capital and expertise to white South Africa's ability to consolidate its control is crucial and outweighs small gains, where they exist, to a few blacks who may benefit from employment in foreign-owned companies.

If indeed investment in South Africa assists in maintaining the overall system of white control then the only legitimate demand possible by those wishing to challenge that control is that the companies withdraw from South Africa.

III. RECOMMENDATION ON POLICY

In view of these arguments we can readily understand why, for more than a decade, voices of African resistance have called for the economic isolation of that country until its racial policies are changed. Now, when internal opposition is becoming more and more visible, is a particularly important time for a response. In fact, action in the economic sphere seems to offer one of the last opportunities for the outside world to help and demonstrate that it takes seriously its own rhetoric about non-violence.

South Africa today is in a fluid situation. In neighbouring Angola and Mozambique the wars against Portuguese forces drag on. Zimbabwe remains tense after black rejection of the Anglo-Rhodesian settlement proposals. Labour unrest in South African-controlled Namibia continues. Within South Africa itself protests accelerate as does the force which meets them. Though the government, fearing condemnation and the risk of capital outflow, has tried to avoid another Sharpeville, response to mounting opposition by both blacks and whites has been harsh. From other quarters also, the government faces reaction to the state of the

economy, as spiralling prices and increasingly inefficient services cause unease among the middle-class whites. In this situation of internal economic and political stresses, statements and actions from outside the country have an inflated importance. The criticism that economic sanctions will affect Africans first has been effectively answered by the late Chief Albert Luthuli when he said:

The economic boycott of South Africa will entail undoubted hardship for Africans. We do not doubt that. But it is a method which shortens the day of bloodshed; the suffering to us will be a price we are willing to pay. In any case, we suffer already, our children are often under-nourished, and on a small scale (so far) we die at the whim of a policeman.²⁰

Now is an opportune time for the World Council of Churches to take affirmative action in support of change in South Africa.

The *extent* of the economic impact which would result from a campaign for withdrawal of South African investments remains to be seen, though it can safely be concluded that the thrust of any change would be positive. A certainty, however, is the political and moral importance of such a step. Both the South African government and the multinational companies would be pressured by serious opposition. As was the case with the earlier decision to support liberation movements' humanitarian needs, black South Africans would feel supported in their aspirations.

A stand by the World Council of Churches against investments in South Africa is an expression of solidarity with oppressed people. Support of economic boycotts is labelled 'terrorism', and under South African law is punishable by death. Black South African workers employed by foreign-owned firms have jeopardized not only their livelihoods but also their lives to advocate withdrawal of foreign capital.

The Coloured Labour Party, reversing an earlier, more 'prudent' position calling for reform, has publicly called for withdrawal. The South African Students' Organization, a group of African, Indian and Coloured students, with a membership of over 4,000, has said:

SASO sees foreign investments as giving stability to South Africa's exploitative regime and committing South Africa's trading partners to supporting this regime. For this reason SASO rejects foreign investments. Furthermore, SASO sees the ameliorative experiments like those of Polaroid as at worst conscience-salving and at best resulting in the creation of a change-resistant middle class amongst the few blacks employed by foreign firms.²¹

South African protests in the early sixties precipitated a governmental and economic crisis. It was averted by massive aid from foreign banks and industries,

which was an expression of confidence in the country's stable future. Today, South Africans have again put themselves on the line. They can call for withdrawal of economic bolstering of the government, but it is only from outside that successful pressure against international companies can be mounted. Our support of their demands not only affords them protection, but makes possible further challenges.

IV. RECOMMENDATION ON TACTICS

It would be easy to end this paper with the recommendation that foreign investment in Southern Africa by governments and corporations be withdrawn and no further investments be made until South Africa achieves majority rule. We would have denounced what we regard as acts in support of evil and have left the implementation of our recommendation to others.

But this time the churches cannot so readily escape by making a pronouncement, for the churches themselves are directly involved. Church organizations and individual Christians in the West have literally tens of millions of dollars invested in banks and businesses which invest in Southern Africa. As silent partners we have often consented to practices that are not Christian in their results. Disposing of such investments can scarcely be the only answer. However, where other tactics have been exhausted such disinvestment is the only justifiable alternative.

Our share is not enough so that sale would automatically affect change. The WCC member churches and individual Christians must in the first instance use their position to bring pressure upon governments and corporations to withdraw their support from the racist regimes. Campaigns for withdrawal exert more pressure on corporations than any other type of protest, often forcing them to take some action to justify their presence in South Africa.

The situation in various countries and corporations is different, the extent of the investment varies and the tactics to be used will depend on the individual situation. Special attention should be given to what positive investments could be recommended elsewhere in Africa. Churches will also have to look at their policies concerning programme support for sister churches in Southern Africa and how the foreign exchange thus provided is used. Illustrations of how this is already being initiated appear in an appendix to this document.

The WCC, member churches and individual Christians must commit themselves to effective action to secure withdrawal of investments by corporations and of support by governments for the racist regime in South Africa. Where it is felt that such pressures will not be effective, or have been tried and failed, disinvestment from corporations supporting the racist structures must be the answer. Where, however, it is felt that such pressures can effect the withdrawal of corporate or government support the relevant tactics can be used and a time limit should be set

so that the results of such efforts are objectively tested after a reasonable period. We can no longer be silent.

The case for withdrawal has been argued from the standpoint of South Africa for reasons of conciseness and space. The conclusions arrived at apply automatically to Namibia and Zimbabwe, and equally to Angola, Mozambique and Guiné Bissao, to which territories the Portuguese colonialist government has refused to grant independence despite universal condemnation of colonialism. The arguments in their specific cases have been documented elsewhere.²²

NOTES

- 1 UN Special Committee on Apartheid, May 1972. *Working Paper on Foreign Loans to the South African Government and Companies Registered in South Africa*.
- 2 Anti-Apartheid Movement, London, *Newsletter*, July 1972.
- 3 *Ibid*.
- 4 IMF *Directions of Trade Annual* 1963-67, and IMF *Directions of Trade* May 1969.
- 5 W.J.F. Steenkamp, "Labour Policies for Growth during the Seventies", *South African Journal of Economics*, Vol. 39, 1971, p. 99.
- 6 *Financial Mail*, September 11, 1970.
- 7 *Rand Daily Mail*, April 18, 1970.
- 8 Computed from figures in *South African Statistics* 1968 and *Bulletin of Statistics*, March 1971, Government Printer, Pretoria (Hultman & Kramer).
- 9 *The Economist*, London 1968.
- 10 Computed from figures in an unpublished paper on wages by Professor W.F.J. Steenkamp of the University of South Africa; South African Survey, *Financial Times*, London, June 14, 1971; and *Financial Mail*, March 26, 1971.
- 11 Houser, *Christian Century*, February 24, 1971.
- 12 *Financial Mail*, December 3, 1971.
- 13 *Apartheid and US Firms in South Africa*, unsigned memorandum circulated by the United States Department of State, cited by Hultman and Kramer, in *A Brief Critique of U.S. Corporate Involvement in South Africa*.
- 14 Tim Smith, *American Corporations in Southern Africa*.
- 15 United Nations, Unit on Apartheid, No. 22/70.
- 16 ACOA *Facts Sheets*, June 2, 1971.
- 17 SAFG, June 18, 1971.
- 18 Stephen Mulholland, *Sunday Times*, Johannesburg, January 17, 1971.
- 19 Tami Hultman and Reed Kramer, interview with Mr C. Cotton, managing director of Burroughs (South Africa), Johannesburg, March 3, 1971.
- 20 Cited in Houser, above: note 11.
- 21 SASO Policy Document, 1972.
- 22 See for instance PCR Publication: *Namibia and US Corporate Involvement; Africa Today: 'The US and Portugal in Africa'*, Vol. 17, No. 4; also PCR Profiles: *FRELIMO* (Mozambique), *PAIGC* (Guiné Bissao), *Cunene Dam Scheme, Cabora Bassa and the Struggle for Southern Africa*, all Geneva, WCC, 1970-71.

APPENDIX

A SUMMARY OF AMERICAN CHURCHES' ACTIONS AND POLICY STATEMENTS ON U.S. CORPORATIONS IN SOUTHERN AFRICA *

Church Actions on US Investment in Southern Africa

For almost a decade now, Protestant Churches in the United States have been active in analysis, interpretation and campaigns around the question of American corporate investment in Southern African countries. Concerned about the insufferable conditions under which millions of African, Coloured and Asian people live, the oppressive rule of white minority regimes and the strength these regimes have received from foreign investment, American churches have attempted to assess ways in which they could influence meaningful social change.

Such an assessment has led to a variety of actions, including pressure on US corporations which conduct business in South Africa and other Southern African countries, legal and congressional actions, relief work and support for humanitarian programmes of liberation movements. A number of tactics have been used by churches in their efforts to express concern and influence US companies on the issues.

In the early 1960s several Protestant denominations passed *resolutions* regarding the situation in South and Southern Africa. These resolutions often supported economic sanctions against South Africa as called for by the United Nations.

By the mid-1960s, the activity of these church bodies had escalated considerably. Attention was focused upon a floating credit arrangement of \$ 40 million by ten US banks to the South African government. A 'Bank Campaign' was launched against the bank consortium demanding withdrawal of the credit arrangement. As several churches held accounts or investments in these banks, certain denominations became active participants in *meeting with bank officials* making *public statements* and passing resolutions condemning the financial

* Edited version of a summary outline of major Protestant denominational involvement in Southern Africa issues, prepared in July 1972 by the Corporate Information Centre, National Council of Churches, Room 846, 475 Riverside Drive, New York, N.Y. 10027, with the assistance of the Interfaith Committee on Social Responsibility in Investments. Further information on investment policies and church stockownership is available from CIC.

arrangement. Some *accounts* held by churches *were publicly withdrawn*. The campaign both strengthened and was strengthened by a growing mood in the churches that social concerns and investment policies could not be separated. Finally and partially due to church pressure, the banks withdrew the credit arrangement.

During this period, the question of church stockholder actions with companies conducting business in Southern Africa became a major strategy for action. Churches, using their *stockholder powers*, began to communicate their views with companies such as Gulf Oil regarding its role in Angola, and General Motors with respect to its major investment in the South Africa auto industry. Attendance at stockholders' annual meeting increased where questions and presentations were delivered.

By 1969 Protestant denominations were engaged in planning and strategy sessions to *file resolutions* with specific companies that would be included in the corporation's proxy statements for vote by individual and institutional shareholders at annual meetings. In 1971, for example, the Episcopal Church filed a resolution with General Motors urging stockholders to vote on the withdrawal of the company from South Africa. The United Presbyterian Church filed a similar resolution urging Gulf Oil to withdraw from Angola. Conversations with corporate management also took place.

In 1972 a coalition of six major Protestant denominations was formed with a primary emphasis on *filing disclosure resolutions* asking corporations to reveal the full facts of their involvement in Southern Africa. Prior to these resolutions, an inter-racial task force of sixteen persons visited South Africa, interviewed company management and witnessed the situation directly. Finally, disclosure resolutions were filed with eight companies; General Motors, General Electric, Gulf, Goodyear, American Metal Climax, Newmont Mining and Mobil Oil. This ecumenical challenge was an essential element in focusing public attention on the role of US corporations in Southern Africa, alerting these and other companies to the fact that no longer would their business go unnoticed. In this way, the churches played an important role in public education and pressure on the role of US companies in Southern Africa.

There is no blueprint for future action, but it is clear that American Protestant churches are committed to continuing their focus on US corporations investing in Southern Africa. Many Catholic agencies, as well, are beginning to address the issues with respect to their own investments, and American churches are also challenging corporations on a variety of other issues, such as the environment, military production, minorities and US corporate activity in foreign areas other than Southern Africa.

Church Statements on Southern Africa

Over the last decade US denominations have expressed their concern about minority rule in Southern Africa on a number of occasions.

In 1966, the Executive Committee of the National Council of Churches stated:

The Executive Committee views with continuing concern the tragic and, in fact, deteriorating situation in those countries of Southern Africa where the principle of minority white rule is the basis of policy and is maintained by repression in various forms and degrees.

It is disturbing to note that in spite of the demands, both local and international, for greater justice, governments have hardened their position in South Africa by the intensification of the policy of apartheid, inevitably accompanied by an ever-growing and increasingly ruthless system of repression; in Southern Rhodesia, by the search for escape from any limitation, present or future, on white political authority; in Angola and Mozambique, by the steps taken by the Portuguese government to resist all demands to share any authority with the peoples of these countries...

In the light of these and other expressions of the deepening concern of Christians, including the February 16, 1966, World Council of Churches Resolution on Southern Rhodesia, the General Board of the National Council of Churches hereby: ... 6. Urges the government of the United States to apply a firmness toward the Republic of South Africa corresponding to that which it has indicated it would apply to Southern Rhodesia, and to that end to explore and exercise such political and economic pressures as may lead to the effective dissociation of the United States and its citizens from implicit support of South Africa's denial of rights to non-whites. This should include such measures as:

- a. A policy of discouragement rather than the present policy of encouragement of trade with and investment in South Africa; such a shift would be in accord with the United Nations recommendations.
- b. The implementation of non-discriminatory policies in employment and assignment of personnel in United States establishments in South Africa.
- c. The granting of asylum in the United States to political refugees from South Africa.

The General Brotherhood Board of the Church of the Brethren stated:

THE PROBLEM... The nations of western Europe and the United States carry some of the responsibility for conditions in South Africa because the *status quo* is supported through the high level of trade and investment controlled by these nations. Economic assistance and long-range credit further implicate the United States and western Europe. Around 250 major American firms conduct about 700 million dollars worth of trade each year with South Africa, and individual American investment there continues to rise. A consortium of American banks headed by the Chase Manhattan and First National City Bank of New York extend liberal credit arrangements to the South African government. Trade, investment and loans all help stabilize the white government and bolster the internal social and political system...

WE URGE THAT — the United States government contribute generously to the United Nations Trust Fund for South Africa to provide legal aid to those charged under apartheid laws, relief for dependents of persons persecuted by the laws, education of prisoners, their children and dependents, and relief for refugees from South Africa.

— the United States government support and join other nations in applying economic sanctions against South Africa as one means by which South Africa might be induced to modify its racial policies.

— the National Council of Churches and member denominations make significant withdrawals of their funds from any banks which do not cease providing such a revolving credit arrangement...

Economically it will mean a rethinking of the Protestant concept of stewardship. It is accepted that all natural resources, and this includes economic power, should be used in accordance with the will of God and to His glory. It therefore should be an integral part of our stewardship responsibility to utilize our financial resources for constructive social change. This may involve withdrawing funds from enterprises supporting minority domination in Southern Africa. It will mean seeking changes in the policies of corporations that exploit the present situation for profit alone, with little or no regard for social betterment. Responsible stewardship of the Board's resources means

investment in the correction of conditions of oppression in the US, as well as in overseas development projects.

In October 1971, an inter-faith team went to South Africa to see first hand the operations of US firms there. The team of sixteen church persons produced a report on their findings. The report concluded that:

Apartheid is wrong. It imposes inferior status on some of God's people solely on the basis of their race. It promotes the domination of a large number of these people by a much smaller number of white people. It is dehumanizing and it is undemocratic.

Based on our understanding of the Scriptures and our first-hand knowledge of the situation in South Africa, we are convinced that any cooperation with or strengthening of apartheid is contrary to the fundamentals of Christianity. Some of the participants in this Consultation believe that if American corporations adopted vigorous new policies they might, over a period of many years, make a contribution to improving the lot of the 'non-white' worker.

Most of us believe that American corporations should totally disengage from Southern Africa; that the presence of American corporations in which we are shareholders undergirds the system of racist colonialism and apartheid which prevails in Southern Africa.

And we are unanimous in our conviction that American companies in Southern Africa are not doing that which they are able to do and ought to be doing with regard to their 'non-white' employees. But even progressive employment policies on the part of American companies will not bring the basic changes in society that we support because of our Christian commitment to freedom, justice and self-determination. We acknowledge that the church of Jesus Christ has failed in its own responsibilities in the US, South Africa and around the world — to help bring about that change in systematic racism to which the Gospel commits us.

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